

Electronically Recorded

Official Public Records

Tarrant County Texas

2009 Aug 17 11:36 AM

Fee: \$ 60.00

Submitter: SIMPLIFILE

D209219452

12 Pages



Suzanne Henderson

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

KNOW ALL MEN BY THESE PRESENTS:

OIL AND GAS LEASE **(No Surface Use)**

THIS OIL AND GAS LEASE (No Surface Use) is made and effective this 21st day of May 2008 (the "**Effective Date**"), by and between the undersigned parties listed on attached Schedule I, whose addresses are listed on attached Schedule I hereto (hereinafter "**Lessor**"), and **XTO Energy Inc.**, a Delaware corporation, whose address is 810 Houston Street, Fort Worth, Texas 76102 (hereinafter "**Lessee**").

1. **GRANTING CLAUSE.** Lessor, in consideration of good and valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged, and in consideration of the royalties herein provided, and the covenants, agreements and obligations of Lessee herein contained, and upon and subject to the conditions and with the limitations hereinafter set forth, hereby leases and lets exclusively unto Lessee, for the purpose of exploring for, developing and producing oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore ("**oil and gas**"), from all those certain lands situated in Tarrant County, Texas, described on the Schedule I attached hereto (herein the "**Leased Premises**"). This Lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. If any additional acreage is included in this Lease pursuant to the foregoing sentence, then bonus shall be calculated and paid as to said additional acreage on the same terms as it is calculated and paid for the land specifically described above. This lease does not grant to Lessee any right to explore for or produce any mineral or other substance except for oil and gas.

2. **PRIMARY TERM.** This lease shall remain in force and effect for a term of two (2) years from the Effective Date set out above (hereinafter called "**Primary Term**"), and as long thereafter as there is production in paying quantities from the Leased Premises or from lands properly pooled therewith or this lease is otherwise maintained in effect under its other provisions. If at the end of the Primary Term, or at any time thereafter, this lease is not otherwise being maintained in force and effect but Lessee is then engaged in actual drilling or reworking operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted in good faith with no interruption of more than ninety (90) consecutive days, and if any such operations result in the production of oil or gas, as long thereafter as there is production of oil or gas in paying quantities from the Leased Premises or lands pooled therewith. Actual drilling operations shall

D209219452

be deemed to have commenced when a drilling rig and machinery capable of drilling to a depth sufficient to test a prospective oil or gas horizon for such well have been erected on the well location which may be located outside of the pooled unit.

3. EXTENSION OF PRIMARY TERM. The Primary Term of this lease may be extended for one (1) additional year by Lessee by making a payment to Lessor of \$15,000.00 per net mineral acre covered by this lease, on or before the end of the Primary Term.

4. ROYALTY. As royalty, Lessee covenants and agrees to pay to Lessor:

(a) 26% of all oil and other liquid hydrocarbons produced and saved from the Leased Premises, to be delivered at Lessor's option at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities on the Leased Premises, or, at Lessor's option, 26% of the value thereof, all free of all costs and expenses. All oil and liquid hydrocarbons shall be measured in tanks of Lessee or by accurate liquid meters approved by Lessor.

(b) 26% of the value at the point of sale to the first purchaser, which is not an affiliate of Lessee, and not at the well, of all gas (including casinghead gas) and all other substances (excluding oil) covered hereby, free of all costs and expenses. For purposes hereof, "value" is defined as the price actually received by Lessee for the sale of gas and all other substances produced and saved hereunder, provided the same is sold under an arms-length and competitively negotiated contract for the sale of such product. Lessor's gas royalty shall include Lessor's 26% of the value realized by Lessee at the tailgate of the processing plant from all condensate, distillate and natural gasoline and all other liquefiable hydrocarbons extracted by or for Lessee from gas produced from the Leased Premises, by any method. Lessor shall also be entitled to its 26% royalty share of any take-or-pay or similar payments received in connection with any gas contract modification or termination. Lessee shall pay royalty on all gas produced from the Leased Premises, and Lessee shall have no right to free use of gas produced from the Leased Premises for any purpose, including any operations under this lease.

(c) Lessee agrees that it will not enter into any contract for the sale, delivery, transporting or processing of gas or products produced from the Leased Premises which shall extend more than two (2) years from the effective date of such contract unless such contract has adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that production from this lease is not being sold for less than the then current market value of such gas.

(d) Notwithstanding anything herein to the contrary, the royalties accruing under this lease shall be determined and delivered to Lessor free of any deduction for any costs of development, production, compression, processing, treating, gathering, transportation, delivery, marketing, or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil, or gas, or any other post-production costs of any nature, excepting however: (i) taxes of any character applicable to Lessor's share of production that are paid by Lessee; and (ii) Lessor's proportionate part of transportation costs incurred in an arm's length transaction charged by a third-party not affiliated with Lessee, whether such charges are passed through an affiliate or not. It is the intent of the parties that the foregoing provisions of this subparagraph 4(d) are to be fully enforceable and

effective and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (1997).

(e) After the expiration of the primary term, if there is on lands pooled with the Leased Premises a well capable of producing gas in paying quantities but gas is not being marketed therefrom for a period of ninety (90) consecutive days and this lease is not then being maintained by other production or operations, then this lease shall terminate unless on or before the end of such ninety (90) day period, Lessee tenders or pays as shut-in royalty hereunder the sum of One Hundred Dollars (\$100.00) per acre to Lessor, which payment shall maintain this lease in full force and effect for a period of one (1) year from the date such well is shut-in, and it will be considered that gas is being produced hereunder in paying quantities. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time; however, this lease may be maintained by such shut-in payments only if Lessee is exercising reasonable diligence in attempting to market and sell gas producible hereunder. At the option of Lessee, which may be exercised by Lessee giving written notice to Lessor, a well which has been drilled and Lessee intends to frac shall be deemed a well capable of producing in paying quantities and the date such the well is shut-in shall be when the drilling operations are completed. Notwithstanding anything herein to the contrary, this lease shall not be maintained by shut-in royalty payments for any period longer than three (3) cumulative years.

(f) Unless there is a reasonable title dispute or question as to title, the initial royalty payments shall be due within one hundred twenty (120) days after the end of the month in which first sales were made. All subsequent royalty payments shall be due within thirty (30) days after the end of the month for oil and sixty (60) days for gas in which the production is sold. Should Lessee fail to pay such royalty within such time, then Lessee shall pay to Lessor interest on said accrued royalties at the average prime interest rate charged by the two largest banks in Tarrant County, Texas, plus two percent (2%), from the due date until the date of payment, or the highest amount provided by law, whichever is the lesser. The rights of Lessor under this paragraph shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under V.T.C.A. Natural Resources Code §§ 91.401 through 91.405.

(g) The term "affiliate of Lessee", as used herein, means and includes any individual, firm, corporation, partnership, limited liability company, association, joint stock company, pension fund, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, or any other legally recognizable entity that (a) directly or indirectly owns, controls or holds with power to vote 10% or more of the outstanding voting securities of Lessee, (b) 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by Lessee, or (c) directly or indirectly controls, is controlled by or is under common control with Lessee. In the event gas, oil or byproducts thereof shall be sold to an affiliate of Lessee, Lessor's royalty shall be the greater of (i) the net proceeds realized by Lessee or (ii) the value of such as determined through the use of market value index prices for the month of production as set forth in Published Indices. For purposes of this lease, "Published Indices" must be industry recognized published price references, unaffiliated with Lessee, which reflect the market value for oil, gas, or byproducts produced in Tarrant County, Texas. In the event Published Indices are unavailable for gas produced in Tarrant County, Texas, Published Indices for the Houston Ship Channel shall be used, with an appropriate deduction for the cost of transmission of the gas through common

carrier transmission lines from the field to the Houston Ship Channel, regardless of where Lessee actually sells the gas. The Published Indices relied upon to determine the value of Lessor' oil, gas or byproducts may be changed from time to time in order to always reflect the true market value of the oil, gas or byproducts produced from the Leased Premises.

(h) To secure Lessee's payment of royalties and compliance with the other terms and provisions of this lease, Lessor hereby retains, and Lessee hereby grants to Lessor, a security interest in 26% of all (as extracted collateral): (i) oil and gas produced, saved and extracted from the Leased Premises, under and pursuant to this lease, and (ii) all accounts arising out of the sale of such oil and gas and all proceeds thereof (the "**Collateral**"). The security interest created hereby shall continue with respect to oil and gas produced, saved and extracted from the Leased Premises notwithstanding the sale or other disposition thereof until Lessor, as secured party, receives indefeasible payment of the royalties due with respect thereto under the terms and provisions of this lease. In addition to any other remedies provided in this lease, Lessor, as a secured party, may in the event of Lessee's default hereunder, including any failure to pay when due royalties in the amount required hereby, (i) proceed under the Texas Uniform Commercial Code (the "**Texas UCC**") as to the Collateral, in any manner permitted by the Texas UCC and (ii) shall have available to it the remedy of sequestration available to secured parties, and to the extent permitted by law, the remedies of replevin, attachment and garnishment to assist Lessor in realizing upon its rights. This lease, or a memorandum thereof, shall, upon its recordation, be effective as a financing statement under the Texas UCC, and shall serve as an authenticated record under Texas Business and Commerce Code Section 9.203. The addresses of Lessor, as Secured Party, and Lessee, as Debtor, and information concerning Lessee's organizational type, state of organization and organization number are as set forth at the beginning of this lease. To assure continued perfection of the security interest created hereby, (i) Lessee agrees not to change its name or jurisdiction of organization without giving Lessor prior written notice and (ii) Lessee authorizes Lessor to file in any appropriate office a financing statement identifying Lessee as debtor and covering the Collateral and continuation statements with respect to this lease or any separate financing statement.

(i) The receipt by Lessee from a purchaser or pipeline company of proceeds of production for distribution to Lessor will not result in Lessee, or Lessee's operator, acquiring legal or equitable title to those proceeds, but Lessee, or Lessee's operator, will at all times hold the proceeds for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Leased Premises or pipeline company transporting production from the Leased Premises, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

5. **PROPORTIONATE REDUCTION.** It is agreed that if this lease covers a less interest in the oil and gas in all or any part of said land than the entire and undivided fee simple estate, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein covered by this lease, bears to the whole and undivided fee simple estate therein.

6. **PAYING QUANTITIES.** For purposes hereof, "paying quantities" is defined as revenue from the sale of production from a well sufficient to return a profit, after deduction of

royalties, overriding royalties and production taxes, over and above all direct and indirect operating costs for any consecutive twelve (12) month period, without regard as to whether a reasonably prudent operator would continue to operate such well or wells.

7. **POOLING.** Lessee shall pool all, and not a portion of the Leased Premises with other adjoining land, lease, or leases, into one (1) pooled unit for a horizontal well (or wells) containing no more than six hundred and forty (640) acres, plus 10% tolerance (the "**Pooled Unit**"). Lessee shall execute an instrument identifying the Pooled Unit and file it for record in the public office in which this lease is recorded and provide a copy thereof to Lessor. Any unit formed may be amended or revised by Lessee by the addition of other leases and/or the expansion or contraction or both, before or after commencement of production, provided such revised unit complies with the provisions of this Lease. However, no part of the land covered by this Lease may be removed from an existing unit without the prior written consent of Lessor. If operations are being conducted for drilling on or production of oil or gas from any part of the Pooled Unit, such operations or production shall be considered as operations for drilling on or production of oil and gas from the Leased Premises. For the purpose of computing the royalties to which owners of royalties and payments out of production shall be entitled on production of oil and gas from any pooled unit, there shall be allocated to Leased Premises (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas produced from the Pooled Unit which the number of surface acres of the Leased Premises included in the Pooled Unit bears to the total number of surface acres included in the Pooled Unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the Pooled Unit (or to each separate tract within the unit) that pro rata portion of all of the oil and gas, or either of them, produced from the Pooled Unit which the number of surface acres covered by this lease (or in such separate tract) and included in the Pooled Unit bears to the total number of acres in the Pooled Unit. Pooling hereunder shall not constitute a cross-conveyance of interests. In the event this lease, or any part thereof, covers separate tracts, no communitization of royalty interests as between any such tracts is intended or shall result from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right and authority to pool or unitize the Leased Premises as provided in the pooling or other such provisions contained in this lease. As used in this paragraph, the term "separate tract" means any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the Leased Premises. At any time while this lease is in force, Lessee may not dissolve the Pooled Unit established hereunder without Lessor's prior written consent.

8. **ASSIGNMENT.** No change in ownership shall be binding on either party hereto until thirty (30) days after the other party has been furnished the original or certified or duly authenticated copies of the documents evidencing such change of ownership. All assignments and subleases of Lessee's rights hereunder must require the assignee or sublessee to assume all of Lessee's obligations under this lease

9. **NO SURFACE USE.** Notwithstanding anything herein to the contrary, Lessee and its contractors and agents shall have no right to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across, any portion of the surface of the Leased Premises (including, but not limited to, exploration activities of any nature, seismic activities, the laying of pipelines, surveying, the building of roads, tanks, power stations, telephone lines, flow lines,

electric power lines, tank batteries, or treaters). Provided however, Lessee shall have the limited right to enter the Leased Premises with a subsurface horizontal or directional wellbore from a surface drill site on other lands in an effort to explore for and develop oil and gas under the Leased Premises, provided that such operations do not interfere with the surface of the Leased Premises or the subsurface support of any improvements constructed on the Leased Premises.

10. **INDEMNITY.** Lessee, its successors and assigns agree to release, indemnify, pay all costs to defend as incurred on a reasonable basis, and hold harmless Lessor and its owners, officers, partners, contractors, tenants, members, managers, guests, invitees, and any of their assigns, successors, agents and employees (collectively, the "**Indemnified Parties**"), from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation, claims involving environmental laws and regulations, pollution, contamination of ground waters, personal injury, disability and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "**Claims**"), **INCLUDING CLAIMS ARISING FROM THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, OMISSION OR STRICT LIABILITY OF ANY OF THE INDEMNIFIED PARTIES, INCLUDING STRICT LIABILITY CLAIMS**, excluding the gross negligence or willful misconduct of the Indemnified Parties, which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees, whether negligent or not, on the Leased Premises, or any adjacent property. For purposes of this lease, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Toxic Substances Control Act (TSCA), the Hazardous Materials Transportation Act (49 USC §5101 et seq.), the Texas Health and Safety Code, the Texas Water Code (TWC), the Texas Natural Resources Code, and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. Lessee's obligations in this paragraph shall survive the termination of this lease.

11. **ENVIRONMENTAL LIABILITY.** As used in this lease, the term "Hazardous Materials or Oil and Gas Waste" means (i) any substance or material defined or identified as hazardous, extra-hazardous, toxic or radioactive or subject to regulation as a solid waste or pollutant under any applicable federal, state, or local statute or regulation including, without limitation, the environmental laws and regulations referenced in paragraph 10 of this lease, and (ii) substances defined as oil and gas waste under any applicable federal or state environmental law or regulation, including those promulgated under Section 91.1011 of the Texas Natural Resources Code. "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state or local government authority or private party action ("**action**"), or pursuant to any federal, state or local statute, rule, regulation, ordinance, order, governmental directive or other laws ("**law**"). Lessee agrees (1) to remove from the Leased Premises and any adjacent property, if, as and when required by any action or law, any Hazardous Materials or Oil and Gas Waste placed or released thereon by Lessee (including its drillers and other contractors), (2) to perform Remedial Work where the need therefore arises directly resulting from Lessee's (including its drillers' and other contractors') operations or activities on the Leased Premises and any adjacent

property, and (3) to comply in all respects with all laws governing operations by Lessee (including its drillers and other contractors) and Remedial Work on or associated with the Leased Premises and any adjacent property. Remedial Work shall be performed by one or more contractors selected by Lessee under the supervision of an engineer selected by Lessee, and approved in writing by Lessor. All costs and expenses of Remedial Work resulting from Lessee's (including its drillers' and other contractors') operations shall be paid by Lessee, including, without limitation, the charges of such contractors and/or the consulting engineer and the Lessor's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of Remedial Work. If Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, the Lessor may (but shall not be required to), after first giving Lessee fifteen (15) days notice of its failure and Lessee's continued failure to perform, cause such Remedial Work to be performed and Lessee will reimburse all reasonable costs of same on demand. The provisions of this paragraph shall not constitute approval or obligate the Lessor to consent to the imposition of any engineering or institutional control that would restrict or limit future use of the Leased Premises or adjacent property for any purpose including, without limitation, any deed restriction or limitation on the use of groundwater or use of the property for residential purposes. Lessee will notify Lessor of any claim or other action by any governmental agency or any third party involving the actual or alleged existence of Hazardous Materials or Oil and Gas Waste on the Leased Premises or any adjoining property and provide Lessor with copies of (1) any notice of any actual or threatened release of Hazardous Materials or Oil and Gas Waste given by Lessee pursuant to any law and (2) any report of and response to any such release including all Remedial Work. Lessee, its successors and assigns, in accordance with the provisions of paragraph 10, will release, indemnify, pay and protect, defend and save the Indemnified Parties harmless from all claims, liabilities, fees and expenses of any kind (including reasonable attorneys' fees, expert fees and costs) that arise from the actual or alleged presence or release of any Hazardous Materials or Oil and Gas Waste in connection with the operations of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees on the Leased Premises or any adjacent property. Such indemnification shall include, without limitation, costs in connection with any Remedial Work performed by Lessor or any third party in response to any federal, state or governmental authority, laws or regulations, due and payable upon demand by the Lessor. The Lessee's obligations in this paragraph shall survive the termination of this lease.

12. INSURANCE. Lessee, at its own expense, shall maintain a general liability insurance policy (covering both bodily injury, property damage, cleanup, surface remediation, blowout and loss of well coverage and covering Lessee's indemnity obligations under this lease) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law.

13. FORCE MAJEURE. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon, from producing oil or gas therefrom, by reason of fire, storm, flood, war, riot, strike or by act of God, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended for a period not to exceed two (2) consecutive years, and Lessee shall not be liable in damages for failure to comply therewith, and this lease shall be extended for a reasonable period of time beyond the end of the actual Force Majeure, in order for Lessee to prepare for and

to proceed with conducting the desired operations on or from producing oil or gas from the leased premises. In order for Lessee to claim the benefit of this paragraph, Lessee must advise Lessor in writing within thirty (30) days of the date Lessee claims any obligation is suspended, setting forth in reasonable detail such facts as Lessee relies upon to make the provisions of this paragraph applicable and Lessee must make every reasonable attempt to cure any force majeure event on an ongoing basis during such period of force majeure.

14. NOTICES.

(a) To Lessee. All notices to Lessee from Lessor shall be sent to the following address:

XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102
Attn: Win Ryan
(817) 885-2336 (office)

Lessor shall be notified in writing of any change of address, or of the party to receive notice on behalf of Lessee.

(b) To Lessor. Lessor shall be notified at the address shown on Schedule I attached hereto. Lessor shall notify Lessee of any change of the address set forth below.

15. OPERATOR'S STANDARD. In addition to any duties implied by law or equity, Lessee agrees to drill all wells which may be drilled on the Leased Premises in a good and workmanlike manner; at all times to operate such wells and all appurtenances in connection therewith in an efficient and workmanlike manner and in accordance with good industry practices. Lessee also agrees to conform to all laws and regulations of the State of Texas regarding the drilling or operation of said well or wells or the operation and development of said lease, and to the rules and regulations of said regulatory body or bodies, if any, governing the location, drilling, operations, abandonment and/or plugging of wells and of the control of water, gas or oil. Nothing in this lease negates the usual implied covenants imposed upon Lessee.

16. NO WARRANTY. Notwithstanding anything herein to the contrary, this lease is made by Lessor without any warranties or representations of title, ownership or control of the Leased Premises, either express or implied, and without recourse against Lessor. All warranties that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor) are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risks of title failures. In the event the Leased Premises are encumbered by any mortgage or lien, Lessee shall have the sole obligation to obtain any subordination of mortgage or lien, if any, at Lessee's sole expense, in a form acceptable to Lessor. Lessor shall reasonably cooperate in such efforts. Lessee at its option may pay and discharge any taxes, mortgages, or other liens existing, levied or assessed on or against the leased premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and

royalties accruing hereunder toward satisfying same.

17. NOISE. Noise levels associated with Lessee's operations on any drillsite utilized for the development of the Pooled Unit shall comply with the City of Fort Worth Drilling Ordinance, as amended.

18. NO COMPRESSORS. Lessee, its affiliates, contractors and gas purchasers, shall not locate compressors for the compression of gas within two thousand feet (2,000') of the Leased Premises.

19. DUST, VIBRATION AND ODORS. Lessee's operations on any drillsite or other facility utilized for the development of the Pooled Unit shall comply with the City of Fort Worth Drilling Ordinance, as amended.

20. LIGHTS. Lessee shall direct lights on any drillsite or other facility utilized for the development of the Pooled Unit away from the Leased Premises.

21. TOP LEASING. Top leasing of this lease is expressly permitted, and there shall be no limitation or prohibition on top leases.

22. SUCCESSORS AND ASSIGNS. All terms, provisions and obligations of this lease shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, legal representatives, administrators, permitted successors and assigns.

23. ATTORNEYS' FEES. In the event either party is required to employ legal counsel for the enforcement of any provision of this Lease (or to defend allegations of breach thereof) and prevails, the prevailing party will be entitled to recover from the other party reasonable attorney's fees, court costs, and related expenses incurred by Lessor.

24. DIVISION ORDERS. It is agreed that neither this lease nor any terms or provisions hereof shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, its successors, agents, or assigns. If Lessee shall require the execution of a division order for payment of royalty payable under this lease, then the only form of division order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d), of the Texas Natural Resources Code as amended from time to time. Transfer orders, if required, shall be solely for the purpose of confirming the interest transferred by Lessor. In the event of production, all division orders prepared by Lessee and its assigns shall eliminate all references to ratification of Lessee's acts and ratification of gas or oil purchase contracts. If such statements are contained therein, such ratifications are void and of no effect. Any amendment, alteration, extension or ratification of this lease, or of any term or provision of this lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect.

25. PARTIAL TERMINATION. Notwithstanding anything in this lease to the contrary, two (2) years after the expiration of the Primary Term, this lease shall terminate as to all of the Leased Premises save and except the depths from the surface down to one hundred feet (100') below: (i) the deepest depth drilled in any well drilled on the Leased Premises or lands pooled therewith; or (ii) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the Leased Premises or lands pooled therewith, whichever is deepest.

26. ENCUMBRANCES. This lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor, or their predecessors in interest, affecting the Leased Premises.

27. COUNTERPARTS. This lease may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.

28. WAIVER. No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

29. LAW AND VENUE. The rights and duties of the parties under this lease shall be governed by the laws of the State of Texas. Venue for any action to enforce Lessee's obligations hereunder shall lie in Tarrant County, Texas.

30. HEADINGS. The paragraph headings in this lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this lease.

31. DRILL COMMITMENT. In the event that at least one (1) well is drilled and completed within the Pooled Unit as a producing well before the expiration of the Primary Term or the continuous operations period, whichever expires later (the "**First Pooled Unit Well**"), Lessee hereby agrees that it will drill and complete at least four (4) additional horizontal wells within the Barnett Shale formation and within the Pooled Unit (the "**Four Additional Pooled Unit Wells**") prior to two (2) years from the end of the Primary Term of the Lease (the "**Initial Development Date**"). If any of the Four Additional Pooled Unit Wells are not drilled and completed before the Initial Development Date, Lessee shall immediately pay Lessor, as liquidated damages, the sum of \$833.00 per net mineral acre covered by this Lease for each of the Four Additional Pooled Unit Wells not drilled and completed by the Initial Development Date. Lessee and Lessor agree that Lessor's damages in the event of Lessee's breach of such obligation are difficult or impossible to ascertain, and that otherwise obtaining an adequate remedy is inconvenient, and the liquidated damage formula provided for above is a reasonable approximation of the harm or loss for such breach. It is also understood and agreed that payment of the liquidated damages provided for above shall be personal to the owners of the Leased Premises, and the payments provided for in this letter agreement shall be in addition to, and not in lieu of, any payments due and owing under the Lease.

IN WITNESS WHEREOF, this instrument is executed to be effective as of the date stated herein.

LESSOR:

See Attached Schedule I

LESSEE:

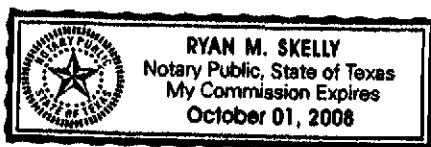
XTO ENERGY INC.

By: Edwin S. Ryan, Jr.
Edwin S. Ryan, Jr.
Senior Vice President—Land Administration

(rms)

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me on the 12th day of May, 2008, by Edwin S. Ryan, Jr., Senior Vice President – Land Administration of **XTO Energy Inc.**, a Delaware corporation, on behalf of the corporation.



[Signature]
Notary Public, State of Texas

Return to After Recording:

Carla Petroleum, Inc.
University Center II
1320 S. University Dr., Ste. 405
Ft. Worth, TX 76107

SCHEDULE I

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED MAY 21, 2008 FROM MICHAEL P. MCGARTLAND, A SINGLE PERSON, AS LESSOR, TO XTO ENERGY INC., AS LESSEE.

BEING 0.4689 acres, of land more or less, and being described in ONE TRACTS as follows:

Being 0.4689 acres of land, more or less, and being a part of Blk 12 Lot 6 of Mira Vista Addition, an Addition to the City of Fort Worth, Tarrant County, Texas and being more particularly described as a Deed dated August 27, 2004 and recorded at Instrument #D204276880 of the Public Records of Tarrant County, Texas.

The 2008 Tarrant County Appraisal District Geo-Reference Number for the above described property is 26237-12-6.

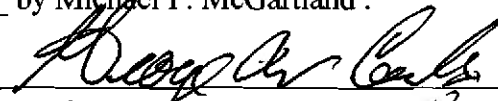
Signed for Identification:

X 
Michael P. McGartland, a single person

STATE OF TEXAS }
COUNTY OF TARRANT }

This instrument was acknowledged before me on the 28 day of MAY, 2008 by Michael P. McGartland.

Signature



Printed

George W. Combs

Notary Public

My commission expires:
Seal:

